

Philanthropy - What it provides to families in business

– Etienne Eichenberger and Jessie Johnsson

Philanthropic culture varies in every region and country. Yet the commonality is that philanthropy is growing all across the world. It offers a platform to family businesses that helps them achieve the long-term goal of leaving a lasting family legacy. In this article, the authors explain what successful philanthropic engagement is and the benefits that business families derive from it.

Family giving and Family Business

Engagement in philanthropy often begins with an impulse experienced by one family member. Later, it interests others and evolves into a family project. The reasons that get families involve in philanthropy include the following -

1. Family Legacy – Families in business are often driven by the need for creating a lasting family legacy. 'Giving back to the community' becomes an important dimension of their legacy, which propels family businesses to extend benefit of their success to the society.

2. Strengthening inter-generational bonding – Philanthropy can become a common or neutral ground that unites family members across generations and geographies, for a cause (other than business). It facilitates dialogue and exchanges of shared altruistic interests, thus strengthening familial bonds.

3. Involving the next generation – Philanthropy can act as a learning tool for

the next generation. It can make them learn - the value of money, process of sharing of resources, importance of wealth management and entrepreneurial attitude. A separate next generation fund can be used to allow them to make smaller grants for the purposes they chose to support. This will help them take responsibility and boost their confidence.

Principles for 'Good Giving'

Generosity needs to be backed-up with professional approach for impactful and sustained philanthropy. The following principles help family businesses achieve professional standards in their philanthropy initiatives -

1. Pro-active engagement – 'Giving' needs to include careful selection of trustworthy actors that ensure effective delivery of benefits to the intended target group(s). This requires deeper engagement of the donor with the best-suited partners.



Figure 1. Drivers for Family Business Philanthropy

2. Project approach – Adopting project management approach for philanthropic initiatives helps in crisply defining the objectives, scope and deliverables. This improves predictability and sustainability of the initiative and also ensures transparency and accountability for both the partners.

3. Exit strategy – As a philanthropy project cycle comes to an end, the family business must evaluate the challenges, successes and failures of the project. This helps it formulate future strategy and choose whether to renew the project or retract with a sense of having made a meaningful contribution.

Leveraging engagement

Convergence of family dynamics and available resources is essential to fulfill the social impact of the philanthropic initiative. Families can leverage their philanthropic engagement in the following ways -

1. Meet with peers – Exchanging thoughts and experiences of other donors enhances learning and helps to improve and enrich future philanthropic engagements.

2. Work with advisors – Experts and advisors can help donors in partner selection, defining project scope, setting realistic expectations on deliverables and keeping excessive idealism in check.

3. Learning by doing - Philanthropic engagement goes through successes and failures. It is important to take time to review the experiences and learn from them. This allows the initial vision to evolve into a more realistic one.

Practical Implications

Philanthropy provides multiple benefits to family businesses, such as - a family legacy of being 'caring,' a platform for family bonding and exchange of ideas and grooming of the next generation. If business families pro-actively engage with philanthropic work in choosing a right partner, adopt a project management approach, formulate an exit strategy and effectively leverage their engagement, then their philanthropic initiative will deliver the intended outcome and be a more fulfilling experience.

Source: *Tharawat Magazine (2011) Vol. 10, pp. 32-37.*